

NATIONAL GAS (TASMANIA) BILL 2008 (No.

Second Reading

I move –

That the bill be now read the second time.

The State Government has been cooperating with the Commonwealth Government and State and Territory governments in the important area of energy market reform for over a decade. This new legislation continues that process and reflects Tasmania's agreement to be part of new nationwide governance and regulatory arrangements for natural gas pipeline services.

The main purpose of the National Gas (Tasmania Bill) 2008 is to establish a framework to enable third parties to again access to natural gas pipeline services. However, before I go through the bill in more detail, I would like to give some background to the reforms embodied in this piece of legislation.

The current national cooperative scheme for the regulation of natural gas pipeline services came into operation in 1997 when South Australia, as the lead legislator, introduced the Gas Pipelines Access (South Australia) Act 1997. There were two schedules to this act; the first entitled 'Third Party Access to Natural Gas Pipelines' and the second 'The National Third Party Access Code for Natural Gas Pipelines Systems or 'The Gas Code', as it has become more commonly known. Together these schedules were referred to as the Gas Pipelines Access Law, and were applied by all Australian States and Territories and the Commonwealth.

As members would be aware, Tasmania has participated in the existing cooperative uniform national regulatory regime for natural gas transmission and distribution pipelines since 2000. This access regime has been applied in Tasmania by the Gas Pipelines Access (Tasmania) Act 2000. However, since then, it has become apparent that significant improvements could be made to the national gas access regime and to the governance and regulatory arrangements for the Australian energy market more generally. The reforms that will be implemented by this bill actually sit within a broader agenda being pursued in the energy sector, stemming from the Ministerial Council on Energy's 2003 report to the Council of Australian Governments, entitled Reform of Energy Markets.

That MCE report identified a number of objectives for the reform program. There are three that specifically relate to natural gas. The first of these is to strengthen the quality, timeliness and national character of governance of energy markets, to improve the climate for investment. The second objective is to streamline and improve the quality of economic regulation across energy markets, so as to lower the cost and complexity of

regulation facing investors, enhance regulatory certainty and lower barriers to competition. The third objective is to further increase the penetration of natural gas, which will lower energy costs and improve energy services, particularly in regional Australia, and, in many parts of Australia, also reduce greenhouse emissions.

As a result of the MCE report it was agreed that a new regulatory and governance framework for the national energy market would be implemented. This new framework has the following key elements:

- alignment of the economic objective of the electricity and gas regulatory regimes;
- the transfer of economic regulation and rules enforcement for transmission and distribution networks to the Australian Energy Regulator;
- the transfer of rule-making and market-development to the Australian Energy Market Commission;
- implementing a common framework for revenue and network pricing for electricity and gas;
- streamlining the rule-change process;
- implementing common arrangements for merits review of regulatory decisions under the electricity and gas regulatory regimes; and
- strengthening and aligning consumer advocacy arrangements for both electricity and gas.

In addition to these features, the MCE has approved further reforms to the gas access regime based on recommendations stemming both from the Productivity Commission's 2004 review of the gas access regime and from an MCE-sponsored committee known as the Gas Market Leaders Group. These include:

- introducing a light-handed regulatory option for gas pipelines that do not exhibit market power;
- establishing a gas market bulletin board to improve market transparency and facilitate trade in natural gas; and
- continuation of greenfields and international pipeline incentives to stimulate pipeline investment.

The Australian Energy Market Agreement commits Commonwealth, State and Territory governments to establish and maintain the new national energy market framework reflected in these MCE reforms.

For the electricity supply industry, implementation of the new framework has already commenced. It will be implemented for gas through the same mechanism; that is a lead-application legislative model. This continues the cooperative approach established under the current regulatory and governance regime.

The MCE has decided that the most appropriate mechanism to implement the new framework for the gas access regime is the new South Australian act called the National Gas (South Australia) Act 2008. This act is currently awaiting passage through the South Australian Parliament. It contains a schedule called the 'National Gas Law', which embodies the new regulatory and governance regime and deals with the economic regulation of gas pipelines. Consistent with the electricity regime, the National Gas Law will be supported by the National Gas Rules and regulations. It is the National Gas Law that will be applied by all jurisdictions, giving effect to the new national gas access regime.

I would now like to turn to the specific provisions of the bill. Part 2 applies, as described above, the National Gas Law set out in the schedule to the National Gas (South Australia) Act 2008, as well as regulations made under that act, as if the act and regulations were part of the law of Tasmania.

Part 3 of the bill confers necessary functions and powers on the Commonwealth minister and Commonwealth bodies, including the Australian Energy Regulator, the Australian Competition Tribunal and the National Competition Council. It also confers functions and powers on State ministers, including the Tasmanian Minister for Energy, to do things where powers are conferred by the National Gas Legislation of other States or Territories.

Part 4 of the bill contains miscellaneous provisions. The national regime exempts parties from the payment of stamp duty and other State taxes for transactions made to comply with requirements to ring-fence or legally separate transmission or distribution functions of a business from any competitive upstream functions, such as gas production, and downstream functions, such as retailing, that it may undertake.

The stamp duty exemption ensures that the Government makes no windfall gains from the ring-fencing requirements in the NGL or as required by a ring-fencing determination made by the Australian Energy Regulator under the NGL.

The bill also confers power on ministers and Supreme Courts in certain situations involving regulation of distribution or transmission pipelines that cross-jurisdictional borders.

The Bill will also repeal the Gas Pipelines Access (Tasmania) Act 2000, and rescind the Gas Pipelines Access (Tasmania) Regulations 2001.

I would like to point out that this bill, while applying the NGL in Tasmania, will not have any economic regulatory impact on Tasmanian gas transmission and distribution pipelines. This is because, under the existing regime, Tasmania's gas transmission and distribution pipelines are 'uncovered', meaning they are not subject to economic regulation in the form of price and revenue controls and other related regulatory instruments. Under the new framework embodied in the NGL, their uncovered status will not alter. If Tasmania's gas pipelines ever did become covered, and I am not suggesting this is at all likely, then the new national access regime would apply to them.

While the impact on Tasmania's gas pipelines is minimal, the bill is, however, an important step in ensuring that the MCE's new national energy market governance and regulatory arrangements are implemented. The bill also ensures Tasmania continues to meet its commitments under the Australian Energy Market Agreement.

The legislative package given effect by this bill will improve the operation of the energy market and gas access regime nationally. It will also strengthen the quality, timeliness and national character of the governance and economic regulation of natural gas pipeline services, while increasing consistency between electricity and gas regulation and providing greater market transparency. However, most importantly, it will ensure that regulation is undertaken in a manner that promotes efficient investment in, and use of, gas pipelines in order to benefit the long-term interests of consumers. The Government fully supports the introduction of this bill, and I commend it to the House.